

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of Suburban Water Systems (U 339-W) for Authority to Increase Rates Charged for Water Service by \$5,633,937 or 12.1% in Fiscal 2006-2007, \$1,640,549 or 3.1% in Fiscal 2007-2008, and \$1,364,551 or 2.5% in Fiscal 2008-2009.

Application 05-08-034  
(Filed August 22, 2005)

**SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER**

Pursuant to Rules 6(a)(3) and 6.3 of the Commission's Rules of Practice and Procedure, this scoping memo and ruling confirms the proceeding category and need for hearing, establishes the issues and schedule, and designates the principal hearing officer.

Suburban Water Systems (Suburban) requests a total company rate increase to increase revenue by \$5,633,937 or 12.1% in fiscal year 2006-2007, by \$1,640,549 or 3.1% in fiscal year 2007-2008, and by \$1,364,551 or 2.5% in fiscal year 2008-2009. The Commission held a prehearing conference on November 1, 2005.

**Categorization and Need for Hearings**

This ruling confirms the Commission's preliminary ratesetting categorization in Resolution ALJ 176-3158 and preliminary determination that hearings are necessary. This ruling is appealable, as to categorization only, under Rule 6.4.

## Issues

Based on Suburban's statement of issues in the Application and the Office of Ratepayer Advocates' (ORA) Protest, the following issues are within the scope of this proceeding:

- a. Adoption of a reasonable cost of common equity and a reasonable rate design;
- b. Reasonableness of proposed revenue increases;
- c. Reasonableness of proposed capital structure and cost of capital;
- d. Reasonableness of estimated expenses and forecasts of sales, operating, and other revenues;
- e. Reasonableness of proposed additions to plant;
- f. Reasonableness of consolidation of San Jose Hills, West Covina, and Walnut into a single service area;
- g. Reasonableness of allocating parent company expenses for rate recovery and, if so, the correct method of allocation, including the three-factor and four-factor methods;
- h. Reasonableness of methods of accounting for purchased energy; and
- i. Inclusion of a low-income program.

There are several key policy areas that should be used as guidance in this proceeding.

- (1) Ensuring safe water;
- (2) Securing reliable water supplies;
- (3) Encouraging and promoting water conservation; and
- (4) Ensuring reasonable rates and viable utilities.

As the proceeding moves forward, parties should develop the record with an eye toward explaining how the positions they take: (a) promote both reasonable rates and short and long term utility viability; (b) affect the utility's

ability to ensure water quality in the short and long term; (c) increase customer and utility conservation incentives; (d) affect infrastructure development and investment; (e) moderate rate impacts on low income customers; and (f) make the Commission's regulatory and decision-making processes more timely and efficient.

Furthermore, all parties are strongly encouraged to develop low-income proposals and present them for consideration in the proceeding.

I believe that reasonable parties should be able to discuss their differences and arrive at commonly agreed-upon positions on many, if not most or all, of their issues in advance of the evidentiary hearings.

### **Schedule**

The following schedule is adopted for this proceeding:

ORA Served Testimony	Monday, November 28, 2005
Applicant Serves Rebuttal	Monday, December 12, 2005
Formal Settlement Discussions	Friday, December 16, 2005
Evidentiary Hearing	Wednesday, December 28, 2005 at 10:00 a.m. and December 29-30, 2005 at 9:30 a.m. in the Commission's Courtroom at 320 West 4 <sup>th</sup> Street, Suite 500, Los Angeles, CA 90013
Concurrent Opening Briefs	Thursday, January 19, 2006
Concurrent Reply Briefs and Projected Submission Date	Thursday, January 26, 2006
Proposed Decision filed	April 19, 2006

### **Principal Hearing Officer**

Pursuant to Pub. Util. Code § 1701.3, I designate Administrative Law Judge Grau as the principal hearing officer.

**Ex Parte Communications**

Rules 7(c), (f), (g), and 7.1 apply to this proceeding.

**IT IS RULED** that:

1. The Commission's preliminary ratesetting categorization in Resolution ALJ 176-3158 and preliminary determination that hearings are necessary are confirmed. This ruling, as to categorization only, is appealable under Rule 6.4.
  2. The issues are as set forth in this ruling.
  3. The schedule is as set forth in this ruling.
  4. Rules 7(c), (f), (g), and 7.1 apply to this proceeding regarding ex parte communications.
  5. Administrative Law Judge Janice Grau is the principal hearing officer.
- Dated December 16, 2005, at San Francisco, California.

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/s/ JOHN A. BOHN  
JOHN A. BOHN  
Assigned Commissioner

**CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of the original attached Scoping Memo and Ruling of Assigned Commissioner on all parties of record in this proceeding or their attorneys of record.

Dated December 16, 2005, at San Francisco, California.

/s/ ELIZABETH LEWIS  
Elizabeth Lewis

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.